

EXHIBIT C



SunCal Companies

CORPORATE OFFICE
2392 MORSE AVENUE
IRVINE, CA 92614

MAIN 949 777 4000
FAX 949 777 4050

WWW.SUNCAL.COM

October 9, 2008

VIA E-MAIL AND MAIL

Mr. F. Robert Brusco
Lehman Brothers
745 7th Avenue
7th Floor
New York, NY 10019

Re: Oak Knoll Project

Dear Rob:

I am writing to advise you of some practical and significant site security and wildfire prevention issues that will arise as SunCal Management, LLC and other contractors involved in the Oak Knoll project in Oakland, CA suspend work for non-payment of bills. To avoid potential liabilities and damage to the asset, someone must immediately assume responsibility for these matters.

As you know, Oak Knoll is the location of the former Navy Medical Center Oakland, which has over 100 structures totaling over 900,000 square feet on 160 acres. It is in an area of the Oakland Hills that has high risks of wildfires. SunCal Oak Knoll LLC assumed responsibility for site security and vegetation management after purchasing the site from the Navy.

As we have previously advised you, there are active groups of copper thieves, homeless people and vandals who have been going onto the site for years; many of whom are drug addicts. Our approach has been to mend holes in the fences, get police onto the site (which has been used for police training), and to first seal as many buildings as possible and then to start demolishing them.

The fence around the site is cut open 5 to 10 times per week. While the police have arrested a few people, they have not been prosecuted and often return to the site in hours.

Mr. F. Robert Brusco
October 9, 2008

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We have been preparing buildings for demolition over the last ten months. Contractors have been removing asbestos, subject to oversight by regulators and by other contractors who monitor completion and air quality during the abatement process.

As buildings are abated, they are so torn apart that they can no longer be sealed, so they can be easily occupied by homeless people seeking shelter for the night. And the rainy season is coming shortly. We have noticed remains of fires being lit in some buildings using debris; this problem will certainly increase.

We obtained a permit to tear down 65 buildings last week, but our demolition contractor and asbestos review consultant have suspended work for non-payment of outstanding bills, which total over \$2 million for the demolition contractor and \$33,000 for the asbestos reviewers. Some asbestos abatement work is partially completed, with friable asbestos in a position where vandals and looters could create hazards with it.

Friable asbestos in a partially demolished condition is a significant issue as there are legal requirements of the oversight agencies regarding containing the asbestos and what needs to be done to get it into a minimal position to shut the project down. There can be large fines from the EPA and other air quality districts if this is not handled correctly and timely.

For wildfire prevention, we have used goats to keep the brush down and have cut many eucalyptus trees. There are some logs and some large stacks of wood chips on site right now.

The security agencies are currently owed about \$30,000. The tree removal contractor is owed over \$60,000. These contractors are small companies who are struggling to get financing to meet payroll in the current environment. They may not be around to fulfill their contracts if they are not paid soon.

Our own presence on the site will diminish. We have a leased construction trailer there now that will eventually be removed after the electricity, phone and power are shut off. When power is cut off, the copper thieves will steal the power lines.

Mr. F. Robert Brusco
October 9, 2008

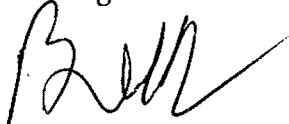
Page 3

There are two companies operating on the site inside our security - we will talk to them about whether they wish to assume the security costs, but do not anticipate they will do so.

It appears there is much legal wrangling going on in the bankruptcy court as to the availability and use of funds. Meanwhile this and other assets diminish and entitlement windows are lost. Unfortunately, as you know, this is not limited to just the Oak Knoll project. We hope that action can be taken swiftly to address this and other deteriorating situations involving Lehman assets.

Very truly yours,

SunCal Management LLC

A handwritten signature in black ink, appearing to read 'Bruce V. Cook', with a long horizontal stroke extending to the right.

Bruce V. Cook
General Counsel

cc: Frank Gilhool



SunCal Companies

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October 10, 2008

VIA E-MAIL AND MAIL

Mr. F. Robert Brusco
Lehman Brothers
745 7th Avenue
7th Floor
New York, NY 10019

Re: Delta Coves

Dear Rob:

I'm sorry to bother you again, but I must bring to your attention an issue which is occurring with respect to the Delta Coves project. The project received a site visit yesterday from Symon Weiner with the Air Quality District out of San Francisco due to citizen complaints. We expect that he will be following up with a communication to our project people today. He stated at the site yesterday that the conditions he witnessed on site are unacceptable and will be giving us 24 hours' notice to have a plan in place to resume the dust control measures. If we do not continue to supply the site with dust control measures, fines will be assessed on a daily basis for public nuisance which could add up to a substantial dollar amount. We were able to convince him not to issue a fine yesterday, but he did say that fines would commence to be assessed if the issue is not dealt with immediately.

As I was working on this letter, I was informed about two additional issues at the Delta Cove project:

- Well monitoring - Continued data will need to be taken from Berloger and URS needs to review the data and send out its report as to the findings. This has not been completed and needs to be done on a monthly basis in order to adjust the stop log elevations in the weirs. This system adjusts the groundwater level of the site and keeps the neighboring foundations from sinking or heaving.
- Storm drain pumps - The pumps need to have a maintenance program and weekly monitoring during the winter months. If the pumps fail, the

Mr. F. Robert Brusco
October 10, 2008

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surrounding residential areas will flood. We currently do not have anyone contracted for maintaining nor do we have the ability to call for assistance in the event of a pump failure.

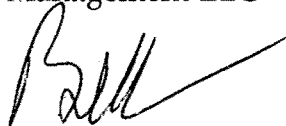
These two matters are serious issues. The wall monitoring and storm drain pumps are key components in protecting Bethel Island from serious flooding or catastrophic settlement. If the ground gets too wet, it floods, if it gets too dry, the peat and the soil shrink and the houses sink into the ground. The BIMID (Bethel Island Municipal Improvement District) stated that they will be contacting Contra Costa County to assist in getting a resolution to this matter since it is a public safety issue.

I am also enclosing an e-mail and a letter that I just received also relating to Delta Coves. We also received a call from Irene Campbell, a Stone Road resident who has asthma and is on 24-hour oxygen, who is very upset about the wind and claims her asthma is being severely affected by the dust situation at the project. As indicated by the attached letter, All Street has not only pulled its dust control services from the project but will be pulling the well pumps and other equipment that is needed to provide the project with its only source of water at this time. If we do not respond to this letter, we will have no ability to obtain water for the project when needed and it is inevitable that we will be receiving fines from the Air Resources Board. There currently is a high wind advisory for the area over the next three days and this project has already received media attention for the issues of blowing sand. I am advised that more complaints will be received.

Request is again made that you find a way to deal with these immediate and urgent needs to avoid significant loss to Delta Coves, as well as the other projects.

Very truly yours,

SunCal Management LLC



Bruce V. Cook
General Counsel

cc: Frank Gilhool

Bruce Cook

From: Kevin Fielding
Sent: Thursday, October 09, 2008 10:43 AM
To: Ed Horn
Subject: Delta Coves DUST COMPLAINT

Ed,

I just received a phone call from a neighboring homeowner (Sean McCord) of the Delta Coves project. He informed me of his concerns regarding fugitive dust that is **now occurring** on site, the lack of water trucks, and is demanding to know what SunCal intends to do. You may recall it is Mr. McCord that contacted Contra Costa County multiple times and most recently during the heavy winds the site sustained back in April. I have no doubt that he will do it again if we don't act now.

As you are well aware, our contracted vendor for dust control, All Street Sweeping, has pulled off the job due to non payment. There is currently a 15 MPH wind that is creating a serious fugitive dust condition. **The local NOAA forecast for Bethel Island shows sustainable wind between 22-25 MPH and gusts of 39MPH for the next 3 days.**

Please advise as Mr. McCord is awaiting a call back from me.....

Kevin Fielding
SunCal Companies
916 218-1218 Office
916 218-1268 Fax
916-276-1451 Mobile

10/10/2008

**All
Street
Sweeping
Inc.**

Oct. 9th, 2008

Mr. Ed Horn
Delta Coves Venture, LLC
1430 Blue Oaks Blvd. Ste 200
Roseville, Ca. 95747

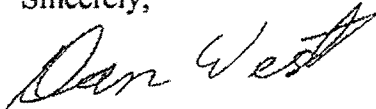
RE: Contract #7786OS

Dear Ed,

It has been over a week since we sent you a letter regarding the non payment of our August invoice in the amount of \$63,003.50. We have since pulled off the Delta Coves Joint Venture project due to your inability to pay under your contract terms. We have submitted another invoice in the amount of \$63,656.00 and are still incurring costs for the well pumps that are currently in place as well as the generator and hose rentals. I have left these items in place in hopes we could come to a payment agreement, but I am left with no choice but to pull the well pumps and other items from the site tomorrow unless we receive payment in full for our previous work.

Your immediate response to this issue is greatly appreciated.

Sincerely,



Dan West
All Street Sweeping Inc.
President



CORPORATE OFFICE
2392 MORSE AVENUE
IRVINE, CA 92614

MAIN 949 777 4000
FAX 949 777 4050

WWW.SUNCAL.COM

October 16, 2008

VIA E-MAIL AND MAIL

Mr. F. Robert Brusco
Lehman Brothers
745 7th Avenue
7th Floor
New York, NY 10019

Re: Acton, Ritter Ranch and Tesoro Burnham

Dear Rob:

With respect to the above projects, the following matters may have significant financial and liability repercussions if not promptly address:

- Acton:

The Acton site has been graded. Although vegetation has re-grown to cover the graded areas, it is critical to maintain the site's compliance with Regional Air Quality Management District (AQMD) for dust control regulations and Regional Water Quality Control Board (RWQCB) erosion control regulations. Therefore it is critical that the sub-contractors for those items be kept current and that the request for payment for the minimal amounts be paid. Continued failure to keep AP current in these areas will result in possible daily fines against the property of up to \$10,000.

- Ritter Ranch:

Completion of Elizabeth Lake Road is critical to public safety. Ritter Ranch currently has a fully funded escrow account that is intended to fund the completion of Elizabeth Lake Road. Unfortunately, the recent events at Lehman have halted the progression of the required approvals for the funds to be released from escrow in order to pay the contractors for work performed to date. Contractors are walking off the job because they have lost faith in getting paid from the escrow.

Mr. F. Robert Brusco
October 16, 2008

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In addition to Elizabeth Lake Road, the project has critical requirements for basic maintenance of previously disturbed areas. Those needs must be continuously funded in order to maintain compliance with the City of Palmdale, AQMD (dust control) and RWQCB (erosion control) requirements. Failure to maintain these elements will result in daily fines up to \$10,000. There have been numerous thefts on site of valuable pipe and related items such as fire hydrants, etc. A guard service is needed during evening hours and funding is required to continue those efforts as well.

In regards to the water facilities, it is critical that we maintain the offsite locations that have been disturbed in connection with the offsite pump stations. The LA County Water District has notified us and expressed their concerns regarding the state of the uncompleted work areas. The sites must be maintained for security and public safety. The project cannot afford to have the water agreement in jeopardy due to non compliance with the district facilities and their requirements to maintain them during this shut down period.

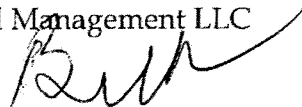
- Tesoro Burnam:

Approximately \$50,000 is needed to finalize Vesting Tentative Tract Map with the Board of Supervisors, with respect to the entitlement of the project.

We hope that action can be taken swiftly to address these and other deteriorating situations involving these LA/Central California projects.

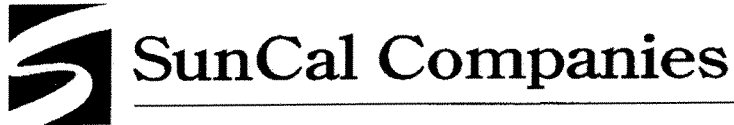
Very truly yours,

SunCal Management LLC



Bruce V. Cook
General Counsel

cc: Frank Gilhool



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Mr. F. Robert Brusco
Lehman Brothers
745 7th Avenue
7th Floor
New York, NY 10019

Re: Northlake Project

Dear Rob:

I am writing to advise you of some significant pending matters that hold the potential of severely deteriorating the asset value of the Northlake property.

As you are aware, Northlake is a 1330 acre property located in Castaic, CA (northern Los Angeles County) with a development agreement that expires on April 27, 2013. In the short-term, there are four main areas that must be addressed: homeowner association issues, property taxes and insurance, environmental compliance issues and entitlement issues. The failure to address these matters, discussed in greater detail below, could significantly and adversely impact the value of this project.

- Homeowner Association Issues. The property owned as part of the Northlake project and used as a homeowner association facility requires maintenance, upkeep and repairs. Additionally, water and electric utility bills must be paid monthly. Finally, we have legal bills that require payment because we engaged legal counsel to assist us in avoiding litigation with the homeowners association.
- Property Taxes and Insurance. Insurance premiums must be paid monthly and property taxes, totaling \$1,182,562, are due no later than December 10, 2008.
- Environmental Compliance. Regulatory permits obtained from the US Army Corps of Engineers, California Department of Fish and Game, California Regional Water Quality Control Board and the US Fish and Wildlife Service require ongoing observation, monitoring and compliance with the permit conditions. Payments for consulting services are required and vital to meeting the minimum governmental required standards of compliance.

Mr. F. Robert Brusco
October 16, 2008

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- Entitlement Issues. As stated above, the project has a development agreement that expires in April 2013. The property requires significant additional discretionary land use entitlements from multiple governmental agencies as well as environmental approvals that will take a lengthy period of time to obtain. The entitlements needed include an Environmental Impact Report, a Conditional Use Permit, a Vesting Tentative Tract Map, a Specific Plan Update, approval of a traffic study, a Water Supply Assessment and School Agreements. Not moving forward now on these entitlement issues places the future viability of this project at significant risk.

Please let me know how you would like to proceed with these urgent matters regarding Northlake.

Very truly yours,

SunCal Management LLC

A handwritten signature in black ink, appearing to read 'Bruce V. Cook', with a stylized, flowing script.

Bruce V. Cook
General Counsel



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October 16, 2008

VIA E-MAIL AND MAIL

Mr. F. Robert Brusco
Lehman Brothers
745 7th Avenue
7th Floor
New York, NY 10019

Re: Bickford Ranch

Dear Rob:

I am writing to advise you of a number of issues that require immediate attention at the Bickford Ranch project in Penryn, CA. While all work on site has been suspended, there are actions that need to be taken to satisfy municipal, state, and federal agencies; to satisfy the project's conditions of approval; and to preserve the value of the property.

The most pressing issue is the implementation of our Storm Water Pollution Prevention Plan measures. These measures are required to be installed each year prior to October 15th. Due to the funding issues, this work has not been started. The County of Placer and the Regional Water Quality Control Board will be issuing a Notice of Non-Compliance, since we have now passed the deadline. When the Notice has been issued the project becomes subject to fines which vary from district to district but can be substantial. Once the rainy season begins we will have significant run-off from the site due to the lack of these measures being implemented. This will result in issuance of Clean-up and Abatement orders and increased significant fines which historically have reached the hundreds of thousands of dollars. Failure to comply with these orders can result in criminal penalties in addition to the fines.

Another issue which needs to be addressed is the completion of the off-site waterline. Typically it would not be an issue to suspend this work until the remainder of the project resumes but in this case we are crossing private property through a negotiated gratuitous agreement giving us a temporary construction easement across the private owner's property. This agreement is set to expire on November 14, 2008. We have a good deal of materials stored on this

Mr. F. Robert Brusco
October 16, 2008

Page 2

land-owner's property as well. The work on this line was started and nearly completed but halted prior to completion, due to payment issues. We have negotiated with a replacement contractor to complete the work but have not received approval to resume work. The property owners have demanded that the work on their property be completed and all construction materials removed by the November 14 expiration date or they will terminate the right to enter their property.

As part of this project's Conditions of Approval and permitting requirements, we are required to perform certain mitigation management, monitoring, and reporting. Per our Operations and Maintenance Agreement with the California Department of Toxic Substance Control we are required to provide annual reporting on the containment of a small portion of the property known as DCN-31. A small amount of naturally-occurring arsenic was found at this site from tailings left from an old mine-site. This reporting is required by January 15th of each year. We also have significant monitoring and reporting requirements tied to our 404 permit issued by the Army Corp of Engineers. This monitoring and reporting process must be performed by suitable consultants, and has been historically performed by ECORP Consulting at Bickford Ranch. We will need authorization to approve their proposal to proceed. This reporting is due at the end of each calendar year; failure to provide this reporting can result in fines and the rescinding of our permit.

Relating to mitigation, we have two special status species that require mitigation and management at Bickford Ranch. The first is our Oak Tree mitigation requirements. We have planted close to 20,000 oak trees at Bickford Ranch to mitigate for the trees we cleared in preparation for grading activities. This was done at considerable expense with new trees grown from acorns found on-site, a condition of the project. Without proper maintenance and monitoring of the irrigation for these trees many, if not most, will die, requiring costly removal and replanting that would run into the hundreds-of-thousands of dollars. We also have established a protected area for the mitigation of our impact on Elderberry Shrubs. This area is an approximately 1.0 acre parcel where we have moved impacted Elderberry Shrubs, and planted additional plants, to mitigate our impact on the Valley Elderberry Longhorn Beetle, a protected species. Due to payment issues the maintenance contractor has not performed and many of these shrubs have died and must be replaced in order to avoid being in violation of our permits and conditions of approval, and subject to fines and/or revocation of our permits and approvals.

Mr. F. Robert Brusco
October 16, 2008

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Finally, we currently have no site security in place at Bickford Ranch. This has resulted in dumping of a significant amount of trash on the property and destruction of the gate at one of the entrances. Security is an issue as we have a large amount of open canal belonging to the Placer County Water Agency. Per our agreements with PCWA we are to keep our gates locked while work is not performed on the site to keep the canal secure. As part of our project approvals we will be encasing the canal in the future, but until such time we need to replace the gate to keep the site, and canal, secure.

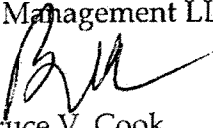
Summary of Critical Project Expenditures thru January 2009, not including management fees:

VELB Habitat Maintenance	\$ 21,100.00
Oak Tree Mitigation Maintenance	\$ 2,500.00
DTSC O&M Monitoring	\$ 1,500.00
Off-Site Waterline Completion	\$ 900,000.00
2008 Year-End Reporting - ACOE	\$ 23,000.00
Erosion Control BMP installation & maintenance	\$ 70,000.00
Gate Repair/Replacement	\$ 5,000.00
Total	\$1,023,100.00

Please advise me as soon as possible regarding these important issues.

Very truly yours,

SunCal Management LLC


Bruce V. Cook
General Counsel

Encls.

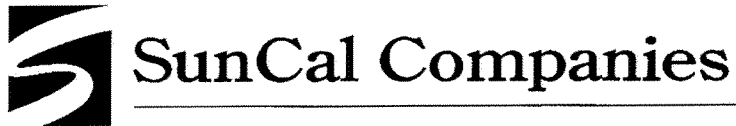
CONTINUATION/MAINTENANCE BUDGET
PROJECT NAME: Bickford

Accounts Payable	
Existing Accounts Payable	
Incur, but unbill	
Total	

Summary	
A. Hazard Costs	\$ 548,100
B. Hazard Control	\$ 75,000
C. HQA Purchase	\$ -
D. Legal/Regulation	\$ -
E. Taxes & Insurance	\$ -
F. Acquisitions (Opposite/Extension Fee/Purchase P	\$ -
G. Marketing	\$ -
H. Utilities	\$ -
I. O&A	\$ -
Total	\$ 1,023,100
Accounts Payable	\$ -
Incur, but unbill	\$ -
Total	\$ -
Grand Total	\$ 1,023,100

Category	Cost Name	Week of September 1st	Week of September 15th	Week of September 22nd	Week of October 6th	Week of October 13th	Week of October 20th	Week of October 27th	Nov-08	Dec-08	Jan-09	Total
A. Hazard Costs	Overhead/Profit								125,000	400,000	375,000	900,000
	water											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
B. Hazard Control	Off-Site Waterline											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
C. HQA Purchase	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
D. Legal/Regulation	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
E. Taxes & Insurance	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
F. Acquisitions (Opposite/Extension Fee/Purchase Price)	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
G. Marketing	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
H. Utilities	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
I. O&A	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
	Overhead/Profit											
	Engineering, Consultants and Fee Costs											
GRAND TOTAL												

Comments/Why is this critical?
Complete off-site waterline and pumpstation construction to maintain access and water rights for project
Habitat Required to be maintained per our 404 permit and Endangered Approvals
Habitat Required to be maintained per our 404 permit and Endangered Approvals
Required per our 404 permit/Endorsements
Required per our 404 permit with Army Corp of Engineers



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VIA E-MAIL AND MAIL

Mr. F. Robert Brusco
Lehman Brothers
745 7th Avenue
7th Floor
New York, NY 10019

Re: Delta Coves

Dear Rob:

I want to follow up on my October 10, 2008 letter to you regarding the serious issues occurring at the Delta Coves project, which if not dealt with immediately will result in serious issues with County, State, and Federal agencies.

The project currently is in default of statutory Fugitive Dust Control Measures resulting from payment issues with the current water truck contractor. Water trucks are used to moisten the soils and sands to reduce airborne contaminants leaving the site due to the very windy conditions encountered at the project. The contractor notified SunCal of their intent to pull off the job in writing on 10/9/08 and will not return to work until payment for previous services is made. The project has received site visits from the Regional Air Quality Management representatives as a result of 10 complaints from neighboring homeowners of fugitive dust leaving the site and adversely impacting their properties. To date the inspections have resulted in two fines issued to the site; with the likelihood of more fines going forward until the site is brought into compliance with applicable statutes.

As a result of the heavy winds and fugitive dust the project has also received a NOC (Notice of Correction) from Contra Costa County on 10/10/08. This NOC must be corrected by this Friday, 10/17/08, or substantial fines will accrue. The County Inspector informed SunCal field representatives today that his office has already contacted the Contra Costa County District Attorneys office to request legal action for the statutory violations.

Mr. F. Robert Brusco
October 16, 2008

Page 2

In addition, the site is in violation of its Storm Water Pollution Prevention Plan regarding erosion control measures required by Contra Costa County. Under the Delta Coves Grading permit it is required to hydroseed the entire site after grading to control site erosion. This has also not been completed. Due to a higher than normal salinity content within the water from the project's wells, which will be used for watering, a special seed mix is required. This special seed mix requires a deposit before the contractor will order it. This request for deposit has been submitted to Lehman Brothers representatives in periodic priority payment lists since March of 2008. The County has also requested a revision to update our current SWPPP. This revision will require additional cost for engineering and implementation. SWPPP non compliance can result in civil and criminal penalties.

The project also contains a sophisticated system of water wells and weirs that are connected to the storm drain pump station system. Due to non payment to the associated consultants, there has not been well and weir monitoring or maintenance performed on the four storm drain pump stations as required by the County and the Bethel Island Municipal Improvement District (BIMID). This integrated system is critical in controlling the surrounding ground water table to prevent flooding as well as catastrophic differential settlement caused by the peat within the soils becoming dry and compressing. As I previously advised you, if the ground gets too wet, it floods, if it gets too dry, the peat soil shrinks and the houses sink into the ground. The BIMID has demanded full monitoring and maintenance be initiated at once and has contacted Contra Costa County to assist in getting resolution to this public safety matter.

An additional matter of concern relates to issues with adjacent home owners. These issues have been documented and discussed in detail with Steve Gorey of Lehman Brothers and involve numerous claims for repairs of damages allegedly caused by Top Grade Construction during the course of the construction of the project.

Very truly yours,

SunCal Management LLC



Bruce V. Cook
General Counsel

CONTRIBUTION/MAINTENANCE BUDGET
PROJECT NAME: Delta Coves

Summary		SunCal Companies
A. Hard/Soft Costs		\$ 2,000
B. Maintenance & Erosion Control		\$ 708,000
C. HOA Dues/Safety		\$ -
D. Legal/Litigation		\$ -
E. Taxes & Insurance		\$ -
F. Acquisition (Deposit/Extension Fees/Purchase Price)		\$ -
G. Marketing		\$ -
H. Utilities		\$ -
I. Other		\$ -
Total		\$ 711,000
Accounts Payable		\$ -
Insurance, Not Unbilled		\$ -
Total		\$ -
Grand Total		\$ 711,000

Category	Cost Items	Week of October 6th	Week of October 13th	Week of October 20th	Week of October 27th	Nov-08	Dec-08	Jan-09	Total	Comments/Why is this critical?
A. Hard/Soft Costs	1. Amendment to SWPPP Plan		2,000						2,000	Amendment required by Contra Costa County to comply w/State and Fed Law
	Engineering, Consultants and Fee Costs									
Engineering, Consultants and Fee Costs										
B. Maintenance & Erosion Control	1. SWPPP work used, with amendment		45,000			14,000	14,000	14,000	45,000	Amendment required by Contra Costa County to comply w/State and Fed Law
	2. SWPPP/Standard Maintenance		14,000			14,000	14,000	14,000	45,000	New SWPPP implementation maintenance (above) to comply w/State and Fed Law
	3. Hydroseed Site		100,000			10,000	10,000	20,000	240,000	Hydroseed site needed by County for SWPPP Compliance w/State Law
	4. Normal Erosion		65,000		65,000	5,000	40,000	20,000	295,000	Wash Truck services required by County for Dirt Control to comply w/State Law (with past invoices)
	5. Wash Truck					65,000	217,000	54,000	336,000	
C. HOA Dues/Safety									708,000	
D. Legal/Litigation										
E. Taxes & Insurance										
F. Acquisition (Deposit/Extension Fees/Purchase Price)										
G. Marketing										
H. Utilities										
I. Other										
GRAND TOTAL			224,000	65,000	65,000	224,000	217,000	84,000	711,000	

10-15-08

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET · SAN FRANCISCO, CA 94109
(415) 749-4795



NOTICE OF VIOLATION

No. **A 49455**

ISSUED TO: SunCal Delta Coves ☐ P ☐ G ☐ NH T 1790
ADDRESS: 6 Ed Horn 1430 Blue Oaks Blvd, Ste 200
CITY: ROSEVILLE STATE: CA ZIP: 95747
PHONE: (916) 218 1200 or (916) 396 2808 cell
☒ N# Mailing Address on F61

OCCURRENCE: Delta Coves Project
NAME: _____ ☐ Same As Above
ADDRESS: _____
CITY: Rather Island ZIP: _____
SOURCE: S# _____ NAME: _____
EMISSION PT: P# _____ NAME: _____
DATE: 10/9/08 TIME: 1100 - 1600 HRS

☐ REG 2 RULE 1 SEC 301 No Authority to Construct ☐ REG 2 RULE 1 SEC 301 No Permit to Operate
☒ REG 1 SEC 301 H & S CODE - 41700 Public Nuisance ☐ REG 2 RULE 1 SEC 307 Failure to Meet Permit Condition
☐ REG 5 SEC 301 Prohibited Open Burning ☐ REG 6 SEC 301 Excessive Visible Emissions
☐ REG _____ RULE _____ SECTION _____ CODE _____
☐ REG _____ RULE _____ SECTION _____ CODE _____
Details: Excessive Dist, Confirmed complaints

RECIPIENT NAME: Mr. Ed Horn
TITLE: Project manager
SIGNING THIS NOTICE IS NOT AN ADMISSION OF GUILT x Ed Horn

WITHIN 10 DAYS, RETURN A COPY OF THIS NOTICE WITH A WRITTEN DESCRIPTION OF THE IMMEDIATE CORRECTIVE ACTION YOU HAVE TAKEN TO PREVENT CONTINUED OR RECURRENT VIOLATION. THIS VIOLATION IS SUBJECT TO SUBSTANTIAL PENALTY. YOUR RESPONSE DOES NOT PRECLUDE FURTHER LEGAL ACTION.

ISSUED BY: JIMMY WINER INSP # 571
DATE: 10/10/08 TIME: 12:53 HRS 14 MAILED
PLEASE PRESS HARD

Continued On Reverse

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET · SAN FRANCISCO, CA 94109
(415) 749-4795



NOTICE OF VIOLATION

No. **A 49457**

ISSUED TO: SunCal Delta Coves ☐ P ☐ G ☐ NH T 1790
ADDRESS: 6 Ed Horn 1430 Blue Oaks Blvd Suite 200
CITY: ROSEVILLE STATE: CA ZIP: 95747
PHONE: (916) 218 1200 or (916) 396 2808 cell
☒ N# Mailing Address on F61

OCCURRENCE: Delta Coves Project
NAME: _____ ☐ Same As Above
ADDRESS: _____
CITY: _____ ZIP: _____
SOURCE: S# _____ NAME: _____
EMISSION PT: P# _____ NAME: _____
DATE: 10/10/08 TIME: _____ HRS

☐ REG 2 RULE 1 SEC 301 No Authority to Construct ☐ REG 2 RULE 1 SEC 301 No Permit to Operate
☒ REG 1 SEC 301 H & S CODE - 41700 Public Nuisance ☐ REG 2 RULE 1 SEC 307 Failure to Meet Permit Condition
☐ REG 5 SEC 301 Prohibited Open Burning ☐ REG 6 SEC 301 Excessive Visible Emissions
☐ REG _____ RULE _____ SECTION _____ CODE _____
☐ REG _____ RULE _____ SECTION _____ CODE _____
Details: Excessive Dist - Public Nuisance

RECIPIENT NAME: Mr Ed Horn
TITLE: Project manager
SIGNING THIS NOTICE IS NOT AN ADMISSION OF GUILT x Ed Horn

WITHIN 10 DAYS, RETURN A COPY OF THIS NOTICE WITH A WRITTEN DESCRIPTION OF THE IMMEDIATE CORRECTIVE ACTION YOU HAVE TAKEN TO PREVENT CONTINUED OR RECURRENT VIOLATION. THIS VIOLATION IS SUBJECT TO SUBSTANTIAL PENALTY. YOUR RESPONSE DOES NOT PRECLUDE FURTHER LEGAL ACTION.

ISSUED BY: CHRISTOPHER BURGUND INSP # 552
DATE: 10/14/08 TIME: _____ HRS ☐ MAILED
PLEASE PRESS HARD

Continued On Reverse



CONTRA COSTA COUNTY
STORMWATER POLLUTION PREVENTION PLAN
NOTICE OF CORRECTION

TO: Suncal Signed by Contract/Owner Phone conversation
Representative (if available): with Ed Horn

FROM: CCC P/W Signed by Carl A. Seat
Inspector:

DATE: 10-7-08 PROJECT &/or Delta Cores
WDID # (if applicable): 5507C 326549

Based upon a site inspection on, 10-7-08, the following corrective items should be completed by the following established schedule in an effort to maintain compliance with the project's Stormwater Pollution Prevention Plan and/or the General Permit for Construction Activities. If the following corrective measures are not completed by the specified dates or before a significant rain event, you will be issued a Notice to Comply.

Corrective Measure	Schedule for Completion (Date)
- Remove accumulated sand at all storm water drainage inlets throughout project, onsite and perimeter. Numerous inlets observed to be blocked by shifting/blowing sand	10-17-08
- No water trucks observed onsite performing dust/sand control watering. Provide schedule for resumption of water truck operation	10-17-08

10-15-08

PAGE ONE OF TWO

CONTRA COSTA COUNTY - Building Inspection Department

651 Pine Street, 3rd Floor, North Wing • Martinez, CA 94553 (925) 646-2300

PERMIT NO.: GS 348984

OWNER/CONT.: SUNICAL COMPANIES

DATE: 10/14/2008

INSPECTOR: JOSEPH ROMO

DELTA COVES VENTURE LLC 925-335-1124

SUBDIVISION 6013 BETHEL ISLAND, CALIFORNIA

NOTES:

NOTICE TO COMPLY

STORMWATER POLLUTION PREVENTION REGULATIONS.

WATER QUALITY ORDER 99-08-DWQ

STATE WATER RESOURCES CONTROL BOARD.

THIS SITE IS IN VIOLATION OF WATER QUALITY ORDER

99-08 DWQ :

#1.) LACK OF DRAINAGE PATTERNS (SWPPP MAP), PER
SECTION A: STORMWATER POLLUTION PREVENTION PLAN
PAGE 12 ITEMS (1) & (2) "DRAINAGE".

#2.) FAILURE TO HAVE PROPER DOCUMENTATION IN THE
SWPPP PACKAGE (SWPPP LACKING CURRENT SITE INSPEC
TION LOGS, CHANGE OF INFORMATION (COI) DOCUMENT &
THE ANNUAL CERTIFICATION DOCUMENT), PER
SECTION A: STORMWATER POLLUTION PREVENTION PLAN
PAGE 21 ITEM 5 NONCOMPLIANCE REPORTING.

30 DAY NOTIFICATION TO THE APPROPRIATE
REGIONAL WATER QUALITY CONTROL BOARD.

#3.) THIS SITE IS IN VIOLATION OF THE CONDITIONS
OF THE SWPPP, REQUIRING PROTECTION OF ALL BARE
SOILS, PER SECTION A: STORMWATER POLLUTION PREVENTION
PLAN PAGE 23 ITEM 1. DUTY TO COMPLY.

#4.) PER OUR MEETING, IT WAS DISCUSSED THAT
SUNICAL COMPANIES IS FACING FINANCIAL HARDSHIP
THE DISCHARGER WILL GIVE ADVANCE NOTICE TO
THE REGIONAL WATER QUALITY CONTROL BOARD OF NOT
POSSIBLY HAVING THE FUNDS TO INSTALL MEASURES TO
PROTECT ALL BARE SOILS, AND TO PROVIDE MAINTENANCE
OF ALL SECONDARY SEDIMENT BMP MEASURES, PER
SECTION A: STORMWATER POLLUTION PREVENTION PLAN
PAGE 26

— NOTICE — ITEM 11. ANTICIPATED
NON-COMPLIANCE.

This Note To Be On Jobsite At Next Inspection

PAGE TWO OF TWO

CONTRA COSTA COUNTY - Building Inspection Department
651 Pine Street, 3rd Floor, North Wing • Martinez, CA 94553 (925) 646-2300

PERMIT NO.: GS 348984

OWNER/CONT.: SUN CAL COMPANIES

DATE: 10/14/2008

INSPECTOR: JOSEPH ROMO

Permit No. To Accompany All Correspondence

NOTES: #5.) FAILURE TO COMPLY BY OCTOBER 17TH 2008 (TO HAVE ALL BMPs MATERIALS ON SITE, AND A SCHEDULE OF THE INSTALLATION OF ALL THE BMPs MEASURES) CAN RESULT IN THE CONTACTING OF THE SURETY BOND COMPANY TO REQUEST THE FUNDS TO PROPERLY PROTECT THIS SITE PER PRIOR APPROVAL BY COUNTY COUNSEL.

THIS SITE IS IN VIOLATION OF THE CONTRA COSTA COUNTY GRADING ORDINANCE NO. 99-46

SECTION 716-6.016 CESSATION OF WORK

SECTION 716-4.1430 SUSPENSION AND REVOCATION
(a)(3)

SECTION 716-4.1210 PERFORMANCE BOND -
NOTICE OF DEFAULT

NOTE: A COPY OF THE ORDINANCE SECTIONS WAS GIVEN TO THE DEVELOPER. FIND CODES OF THE WATER QUALITY ORDER 99-08 DWS

NOTE: CONTACT THE REGIONAL WATER QUALITY CONTROL BOARD IMMEDIATELY PER ITEM #4 OF THIS NOTICE (ANTICIPATED NON-COMPLIANCE).

— NOTICE —

This Note To Be On Jobsite At Next Inspection



SunCal Companies

CORPORATE OFFICE
2392 MORSE AVENUE
IRVINE, CA 92614

MAIN 949 777 4000
FAX 949 777 4050

WWW.SUNCAL.COM

October 23, 2008

VIA E-MAIL AND MAIL

Mr. F. Robert Brusco
Lehman Brothers
745 7th Avenue
7th Floor
New York, NY 10019

Re: Delta Coves

Dear Rob:

As you have been previously advised, we received the attached Notice of Violation from the California Regional Water Quality Control Board for the Delta Coves project for violation of Sections A.6 and C.2 of our NPDES General Permit for the site.

At this time the Water Board is demanding action in two parts according to the Notice of Violation. The first being a written explanation of how and when BMP's will be installed and second, the installation of erosion and sediment control for the site. Although somewhat ambiguous, per the violation letter these are to be provided no later than November 1, 2008. After speaking with Kim Schwab of the Water Board in an effort to demonstrate compliance and concern, we were able to extend the due date for the installation of the erosion control measures to Monday November 3, 2008. During this phone conversation, Ms. Schwab did confirm and make it clear that if there were not crews working on erosion control measures by November 3, the Water Board would have no choice but to fine the project for non compliance. The fines which we would receive start on November 3, 2008 and would be \$10,000. Each following day will also be \$10,000 until compliance to our permit has been met.

It is also important at this time to revisit the two Notices of Violation from the Bay Area Air Quality District the project received. The violations received were given for fugitive dust leaving the site and are a direct result from the above

Mr. F. Robert Brusco
October 23, 2008

Page 2

mentioned lack of erosion and sediment control. These were issued on October 9 and 10, 2008. Should there be another violation given, the Air Quality district also has the authority to impose \$10,000 fines for each daily offense. The Air Quality District also reserves the right to impose fines based on negligence, frequency of violations, and time of response of any cleanup and construction undertaken, to mitigate the violation.

Very truly yours,

SunCal Management LLC

A handwritten signature in black ink, appearing to read 'Bruce V. Cook', is written over the printed name.

Bruce V. Cook
General Counsel

cc: Kevin Fielding
Ed Horn
Steve Howell



Linda S. Adams
Secretary for
Environmental
Protection

California Regional Water Quality Control Board Central Valley Region

Karl E. Longley, ScD, P.E., Chair

11020 Sun Center Drive #200, Rancho Cordova, California 95670-6114
Phone (916) 464-3291 • FAX (916) 464-4645
<http://www.waterboards.ca.gov/centralvalley>



Arnold
Schwarzenegger
Governor

17 October 2008

CERTIFIED MAIL
7008 1140 0002 8806 2146

Steve Howell/Ed Horn
SunCal Companies
1430 Blue Oaks Boulevard, Suite 200
Roseville, CA 95747

**NOTICE OF VIOLATION, CONSTRUCTION STORM WATER GENERAL PERMIT NO.
CAS000002, DELTA COVES VENTURE LLC SUNCAL COMPANY, WDID NO.
5S07C344548, CONTRA COSTA COUNTY**

Central Valley Water Board staff has received numerous County Inspection Reports, Notices of Non-Compliance, Notices of Correction, Notices to Comply and letters of request for action (see attached documents) for the Delta Coves Venture LLC SunCal Company (Delta Coves) construction site located at 6013 Bethel Island, Contra Costa County. These inspections were conducted by Contra Costa County staff to evaluate compliance with their municipal storm water requirements. From the photographs, Water Board staff has also determined that you are in violation of the NPDES General Permit for Storm Water Discharges Associated with Construction Activities, NPDES No. CAS000002, Order No. 99-08-DWQ (General Permit). As the owner of the property, Delta Coves is responsible for complying with all of the conditions of the General Permit.

From the photographs, it is apparent that the Delta Coves site lacks effective erosion and sediment control BMPs. In addition Contra Costa County staff observed sediment on the sidewalks and streets, in the gutters, on the edges of the rock slopes immediately adjacent to the waterway, in and around the drain inlets, and suspended in the air from high winds (see enclosed photographs).

- The site was found to be in violation of Section A.6 of the General Permit which requires that, "Erosion control, also referred to as "soil stabilization" is the most effective way to retain soil and sediment on the construction site. The most efficient way to address erosion control is to preserve existing vegetation where feasible, to limit disturbance, and to stabilize and revegetate disturbed areas as soon as possible after grading or construction. Particular attention must be paid to large mass-graded sites where the potential for soil exposure to the erosive effects of **rainfall and wind is great**. Mass graded construction sites may be exposed for several years while the project is being built out. Thus, there is potential for significant sediment discharge from the site to surface waters. At a minimum, the discharger/operator must implement an effective combination of erosion and sediment control on all disturbed areas during the rainy season." Contra Costa County's rainy season begins on 1 October. During the 14 October inspection, the Delta Coves construction site did not have an effective combination of erosion and sediment control BMPs (see attached photographs).

California Environmental Protection Agency

Steve Howell/Ed Horn
Notice of Violation
Delta Coves Venture LLC Suncal Co
WDID 5S07C344548

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17 October 2008

- The site was found to be in violation of Special Provision C.2 of the General Permit which requires that, *"All dischargers shall develop and implement a SWPPP in accordance with Section A: Storm Water Pollution Prevention Plan. The discharger shall implement controls to reduce pollutants in storm water discharges from their construction sites to the Best Available Technology Economically Achievable (BAT) and Best Conventional Pollutant Control Technology (BCT) performance standard."* During the 14 October inspection, the Delta Coves construction site did not have controls implemented to the BAT/BCT standard.

In addition, Contra Costa County staff has informed the Regional Water Board that Delta Coves has been discharging soil onto an adjacent 17 acre parcel that is not part of the Construction General Permit. The adjacent parcel does not have any "soil stabilization" BMPs on site. We are concerned that this property may potentially cause a storm water discharge by rainfall or wind erosion. Please address Delta Coves' plans to stabilize the soil on the adjacent property in your response to this Notice of Violation.

Response

In response to this Notice of Violation, Delta Coves must immediately do the following:

- Install and maintain an effective combination of erosion and sediment control BMPs throughout the project.

In order to demonstrate compliance with the General Permit, we request that Delta Coves submit the following to the Central Valley Water Board by **24 October 2008**:

- A written explanation of how and when (no later than **1 November 2008**) BMPs will be installed and maintained on the project site.

Send the information to:

Attn: Kim Schwab
Central Valley RWQCB
11020 Sun Center Drive # 200
Rancho Cordova, CA 95670

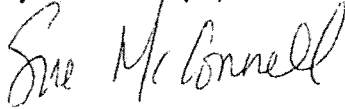
Violations of the General Permit have exposed Delta Coves to possible further enforcement action. Under Section 13385 of the CWC, the Water Board can impose administrative civil liabilities for violations of CWC Section 13376. The maximum administrative civil liability for each day of violation is ten thousand dollars (\$10,000).

Steve Howell/Ed Horn
Notice of Violation
Delta Coves Venture LLC Suncal Co
WDID 5S07C344548

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17 October 2008

If you have any questions, contact Kim Schwab at (916) 464-4606.



SUE MCCONNELL
Chief, Storm Water Compliance and Enforcement Unit

Enclosures: Contra Costa County Documents
Site photographs

cc: Eugene Bromley, US EPA, San Francisco
Simon Winer, Senior Air Quality Inspector, BAAQMD
Contra Costa Board of Supervisors
Kevin Emigh, Assistant Public Works Director, Contra Costa County
David Swartz, Watershed Management Planning, Contra Costa County
Rich Lierly, Flood Control, Contra Costa County
Gary Faria, Building Inspection, Contra Costa County
Marguerite Lawry, Bethel Island Municipal Improvement District

Contra Costa County (CCC) Inspection Photos Provided by:
David Swartz, CCC Watershed Mgt. Planning Specialist
255 Glacier Drive
Martinez, CA 94553
(925) 313-2281

Photo Dates: 10/14/08 and 10/9-10/08

